

DEPARTMENT OF THE ARMY
U.S. Army Corps of Engineers
Washington, D.C. 20314-1000

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CERM-O

Regulation
No. ER 11-1-30

29 May 1992

Army Programs
USACE INTERNAL MANAGEMENT CONTROL PROGRAM

1. Purpose.

a. This regulation prescribes the systems and processes to implement the USACE Internal Management Control (IMC) Program and addresses the essential aspects of the 1982 Federal Managers Financial Integrity Act, Public Law 97-255, as revised. It delineates the responsibilities and accountability of administrators and managers in the execution of daily measures to promote efficiency and preclude the loss of government assets through fraud, waste or mismanagement.

b. The basis for the program lies in the total involvement of the USACE staff in understanding the 12 GAO Standards on Internal Control (Appendix A); and the use of HQDA proponents Internal Management Control Review Checklists.

2. Applicability. This regulation applies to HQUSACE/OCE elements, major subordinate commands, districts, laboratories, and field operating activities (FOA) including Civil Works activities and operations.

3. References.

- a. The Accounting and Auditing Act of 1950.
- b. Public Law 97-255, the Federal Manager's Financial Integrity Act, dated September 1982 and revised in August 1986.
- c. Office of Management and Budget (OMB) Circular A-123.
- d. AR 11-2, Internal Management Control.
- e. AR 25-400-2, The Modern Army Recordkeeping System (MARKS).
- f. DA Circular 11 series, Army Management Control Plan (updated annually - current circular is DA Circular 11-91-3, 15 September 1991).

4. Program Objectives. The program is designed to ensure that the following objectives are achieved:

- a. To safeguard Army resources (people, equipment, facilities, and funds),
- b. to ensure adherence to applicable laws, regulations and policies; and,
- c. to increase operational economy and efficiency of USACE operations.

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5. Policy.

a. Every commander/manager within the Corps of Engineers, including all headquarters staff, major subordinate commands (MSC), districts, field operating activities (FOA), and laboratories, is charged to understand and apply the Comptroller General and General Accounting Office Standards regarding internal controls when accomplishing his/her daily operations. Business processes and procedures must embrace the adequacy of management controls as reflected in the 12 GAO Standards contained in Chapter 2, AR 11-2, Internal Management Control.

b. The IMC Program is implemented throughout USACE by commander/staff supportive attitudes at the headquarters, MSC, districts, FOA and laboratories organizational levels. Program awareness is achieved through command involvement in program activities and through compliance with pertinent regulations, memorandums, and HQDA generated information exchange packages.

c. The USACE IMC Program executes and enhances the instructions contained in AR 11-2 and the annual, DA Circular 11 series. The plan requires USACE commanders, program administrators, staff principals/functional proponents, assessable unit managers, and operating managers to accomplish the following:

- (1) To gain an understanding of the process used in the identification of Army subtasks, and associated management control checklists;
- (2) to adhere to the cyclic review schedule of published checklists within guidance of the 5 year Management Control Plan;
- (3) to promote business processes and practices which include proper administrative and financial internal controls;
- (4) to build and conduct comprehensive programs which promote prevention and address high risk and problem prone areas where material weaknesses are found; and,
- (5) to adhere to mandatory and special reporting requirements generated by USACE and DA Staff principals on IMC Program issues.

d. Quality Control. In an effort to maintain continued adherence to OMB Circular A 123 and to ensure quality in reporting program efficiency to the Secretary of the Army, training initiatives will be undertaken throughout USACE to ensure that all personnel possess the requisite knowledge and experience for program success.

6. Responsible Program Officials. USACE Commanders/Directors, and Separate Office Chiefs are charged with the responsibility of designing, evaluating, and executing the multifaceted Internal Management Control

Program within their Command or Activity. The USACE IMC Administrator, Staff and Program Directors, IMC Coordinator, and Assessable Unit Managers will assist Commanders/Directors in administering their program.

7. Responsibilities.

a. USACE Internal Management Control Administrator (Director of Resource Management) will:

(1) Serve as the USACE executive agent for review, oversight, and direction of the USACE IMC Program.

(2) Monitor IMC Program goals and accomplishment of USACE Commands through the submission of Annual Assurance Statements and the conduct of USACE oversight for implementation of the Army Management Control Plan.

(3) Instruct the USACE IMC Coordinator on preparation of the Annual Assurance Statement for Secretary of the Army (SA) and the mid-year updates on the status of material weaknesses.

(4) Provide guidance on submission of IMC Special and Annual Reports as required.

(5) Advise the USACE Commander and Principal Staff on matters relative to compliance with PL 97-255 responsibilities.

b. USACE IMC Coordinator will:

(1) Serve as principal staff coordinator and integrator of all USACE and Department of the Army IMC Program requirements.

(2) Draft USACE policy and governing regulations that implement PL 97-255, through the USACE Internal Management Control Program.

(3) Issue guidance instructions and technical assistance in accordance with instruction from the USACE IMC Administrator to all USACE Internal Control Administrators.

(4) Extract, analyze and summarize details on USACE-wide Internal Management Controls included in Annual Reports, and provide information to USACE proponents and staff directors that relate to their program responsibilities.

(5) Monitor USACE material weaknesses using Master Summary Feeder Report from headquarters staff, MSC, districts, FOA and laboratories on current and prior years status of material weaknesses.

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(6) Organize and chair the IMC Panel to assess, evaluate and recommend actions pertaining to the quality and appropriateness of material weaknesses submitted by headquarters staff, MSCs, districts, FOA and laboratories.

(7) Obtain staff feeder reports from the Audit Office and Engineer Inspector General on potential USACE material weakness areas for consideration by the IMC Panel.

(8) Prepare and staff the USACE Annual Assurance Statement for the Secretary of the Army and mid-year updates on the USACE-wide status of material weaknesses.

(9) Advise and represent USACE IMC Administrator at DA level on matters involving IMC.

(10) Coordinate the planning and delivery of IMC training needed by USACE senior leadership, administrators, assessable unit managers, and staff. IMC training will be conducted at a minimum twice a year. One training session will be initiated for HQUSACE and at least one training session will be planned for the field.

(11) Conduct quality assurance visits to field activities to review the administrative aspects of the USACE IMC Program with IMC administrators.

c. Audit Office will:

(1) During the normal course of an audit, evaluate USACE specific IMC initiatives, and Command compliance with AR 11-2 and ER 11-1-30 within the functional area being audited.

(2) Provide feeder reports to the USACE IMC Coordinator by 10 March and 30 August each year concerning Internal Management Control weaknesses that the U.S. Army Audit Agency (AAA), Office of the Inspector General, Department of Defense, General Accounting Office, and Corps Internal Review report to the Commander USACE.

(3) Participate as a member of the USACE IMC Panel in the assessment and evaluation of material weaknesses submitted from USACE Commands for resourcing, confirmation of actions planned or taken, and determination if the material weakness should be included in the USACE Annual Assurance Statement.

d. Engineer Inspector General will:

(1) During inspections conduct review of the USACE Internal Management Control Program to determine if guidance in applicable Army regulations, policies and the USACE IMC regulation is being followed by the functional area being inspected.

(2) Provide feeder reports to the USACE IMC Administrator concerning material IMC Program deficiencies which were identified as the result of in-house or external inspections. At a minimum, these reports will be submitted by 10 March and 30 August each year to ensure their full consideration in the USACE 2nd Quarter Command Management Review, and the Annual Assurance Statement IMC Panel deliberations.

e. Commanders/Directors of Divisions, Districts, Laboratories, FOA will:

(1) Assume responsibility for the execution of the IMC Program activities within their commands; be familiar with the 12 GAO Standards; comply with USACE and command specific IMC program objectives; personally evaluate and judge the significance of material weaknesses identified within their command to assess program effectiveness; and appoint an IMC Administrator for their level of command.

(2) Instruct their IMC Program administrators and assessable unit managers to establish adequate review and analysis of IMC Program activities. See Appendix B, format for preparation of the Master Summary Report of Material Weaknesses.

(3) Review the current Management Control Plan (MCP), DA Circular 11 series, to ensure that their responsibilities for USACE compliance with the IMC checklist cyclic review schedule are met.

(4) Emphasize the need for adequate internal controls in business processes and practices.

(5) Ensure IMC Administrators identify the designated Assessable Unit Managers responsible for using each applicable checklist. Administrators must also review material weakness compliance plans, schedules, and progress in March and August each year to ensure that resources and management oversight are in place and working.

(6) In the exercise of judgement determinations about materiality in the establishment of material weaknesses, Commanders/Directors should instruct their staffs to consult paragraph 3-2b, AR 11-2, and apply the "reasonable assurance" test in all such deliberations. It remains the decision of the Commanders/Directors at the local level to determine the presence of a "material weakness." Yet, once established, the "material weakness," complete with plan of corrective action and status, must be reported to the USACE Program Administrator. Before inclusion in the USACE Annual Assurance Statement, a final judgement on "reasonable assurance" will be made by the Commander, USACE.

f. IMC Administrators will:

(1) Serve as principal IMC Program staff coordinators and integrators for either HQUSACE staff elements or USACE Commands, as appropriate.

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(2) Ensure that all Assessable Unit Managers are identified and establish a current data base summarizing the designation of all Assessable Unit Managers with the corresponding checklists they are accountable for using, and tracker dates to ensure compliance.

(3) Assist Assessable Unit Managers in the construction of adequate material weakness descriptions, and plan of corrective actions, to include where appropriate, cost and benefit analysis. Narratives must explicitly articulate the substance of material weaknesses submitted to USACE for review and action (Appendix C).

(4) Provide Master Summary Report of Material Weaknesses reported in current and prior years that have not been officially closed. Report should be prepared in a format similar to the one shown in Appendix B, and submitted by 10 March each year to the USACE IMC Coordinator. Copies of the referenced material weaknesses will also be submitted to establish a current reference file at HQUSACE.

(5) Prepare and staff their command's Annual Assurance Statement for transmittal to their higher headquarters in August each year.

(6) Represent their Commanders/Directors concerning IMC matters.

(7) Coordinate the planning and delivery of IMC training.

(8) Annually sample job performance standards to validate that pertinent IMC responsibilities are included.

g. Assessable Unit Managers will:

(1) Serve as the principal IMC staff operators at the local organizational levels, apply IMC checklists, and report through comprehensive narration, action and status on material weaknesses reported.

(2) Evaluate effectiveness of the organization business processes and practices under their purview. Apply guidance contained in paragraph 3-4b, AR 11-2, regarding the identification and reporting for material weaknesses.

(3) Ensure use of pertinent IMC checklists in accordance with the established guidelines and that checklists provide minimum essential control requirements. Field supplementation of checklists may also be necessary, given the uniqueness of many USACE operations and functions (paragraph 1-13d, AR 11-2). Commanders/Directors are authorized to develop locally generated checklists that address location-unique or risk areas which managers must adhere to in the conduct of effective organization activities.

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(4) Maintain the most recently completed IMC checklists in the current files area until superseded, in accordance with AR 25-400-2.

h. Director of Human Resource Management will issue and monitor USACE-wide guidance to ensure that military and civilian managers, as defined in paragraph 3-9, AR 11-2, have specific Internal Management Control responsibilities included in their performance standards.



MILTON HUNTER
Colonel, Corps of Engineers
Chief of Staff

3 Appendixes

- App A - 12 GAO Standards
- App B - Master Summary Report
- App C - Guide for Managers on
Material Weaknesses

APPENDIX A
12 GAO STANDARDS

These standards define the minimum level of quality acceptable for Internal Management Control systems in operation. They in essence constitute the criteria against which USACE systems are to be evaluated. Consult paragraphs 2-3 through 2-14, AR 11-2 for a more detailed explanation of these important GAO Standards.

1. Reasonable Assurance: Internal Management Control is used to provide reasonable assurance that the objectives of the systems will be accomplished.
2. Supportive Attitude: Managers and employees are to maintain and demonstrate a positive and supportive attitude toward Internal Management Controls at all times.
3. Competent Personnel: Managers and employees are to maintain a level of competence that allows them to accomplish their duties, as well as understand the importance of developing and implementing good Internal Management Controls.
4. Control Objectives: Internal Control objectives are to be identified and developed for each agency activity and are to be logical, applicable, and reasonably complete.
5. Control Techniques: Internal Control techniques are to be effective and efficient in accomplishing internal control objectives.
6. Documentation: Internal Management Control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.
7. Recording of Transactions & Events: Transactions and other significant events are to be promptly recorded and properly classified.
8. Execution of Transactions & Events: Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.
9. Separation of Duties: Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals
10. Supervision: Qualified and continuous supervision is to be provided to ensure that Internal Management Control objectives are achieved.

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12 GAO STANDARDS (continued)

11. Access to & Accountability for Resources: Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison will also be made.

12. Prompt Resolution of Audit Findings: Managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete within establish time frames, all actions that correct or otherwise resolve matters brought to management's attention.

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APPENDIX B
SAMPLE FORMAT

Reporting Organization: _____

Date: _____

Master Summary Report of Material Weaknesses
FY __ and earlier

<u>Unique ID#</u>	<u>Title</u>	<u>Status</u>	<u>Saving/Benefit Realized</u>	<u>Estimated Completion date</u>
FY 91				
1. ABC123	Measurement	On schedule	Yes/No/on-going	3rd Qtr FY 92
2.				
3.				
FY 90				
1.				
2.				
3.				
FY 89 and earlier				
1.				
2.				
3.				

APPENDIX C
Guide for Managers on Material Weakness

1. Material Weakness

a. As defined by the U.S. Army Management Engineering College, a "Material Weakness is any systemic threat that would hinder mission execution or cause mission failure." The individual Assessable Unit Manager is the person closer to the success and failure of the Army tasks and subtasks than any other managerial level. The individual manager's failure or success is not as important as the systemic success of the whole Army. The exposure to fraud, waste, or abuse that makes the individual manager vulnerable to failure is negated by sound controls. An individual manager who chooses not to use the techniques of controls developed for their use is not putting the Army at risk. They are putting their organization, Commander, and themselves at risk. Checklists must accordingly be applied in operational areas. In those areas identified, which reasonable assurance cannot be provided, a material weakness may exist because of one or more of the following reasons:

- (1) A failure to meet mission requirements,
- (2) an accounting system that fails to meet prescribed Comptroller General requirement,
- (3) an unreasonable/unacceptable frequency or level of error, or
- (4) an absence of a specific control technique.

b. In this identification process, materiality becomes critical. "Materiality is based upon either or both, the monetary value of the resources at risk and the perceived command, public, or political sensitivity within the function." In the final analysis, the Commander's/Director's judgement is the key to materiality and the ultimate decision on which weaknesses are of sufficient concern to be reported to higher headquarters. Accordingly, documentation is key as to the identification, plan of correction, followup, and eventual resolution or elimination of the cause or concern.

2. References.

- a. The Army Internal Management Control Program Course Booklet, United States Army Management Engineering College.
- b. Material Guide for Managers, US Army Materiel Command Internal Control Systems.

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